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SUBJECT: BURMA-BANGLADESH MARITIME DISPUTE FLARES

Classified By: Ambassador James F. Moriarty Reasons 1.4 (B) and (D)

SUMMARY

1. (S/NF) Dhaka, on November 2, strongly protested Burma's November 1 decision to explore for oil and gas and dispatch naval vessels in disputed waters between the two nations. The Government of Bangladesh demanded the withdrawal of four exploration ships, accompanied by two naval warships, from Bangladeshi waters until the maritime borders were clearly delineated. This incursion came only weeks after a Burmese delegation visited Dhaka in what was hailed at the time as a "landmark" event between the two countries. Other information suggests the Burmese were not happy with the visit, particularly the lack of progress on several issues. Led by Burma's second highest ranking leader, Vice-Senior General Maung Aye, the delegation discussed a range of issues, including increasing trade opportunities, establishing a road link between the two countries, repatriating Rohingya refugees, and demarcating the maritime border. While open conflict between the two countries is unlikely, this incident shows the fragile prospects for a normalized relationship between Bangladesh and Burma.

MARITIME DISPUTE HEATS UP

2. (U) On November 2, Bangladesh's press reported an incursion by exploration and naval vessels from Burma into disputed waters in the Bay of Bengal. Bangladesh responded by deploying three naval ships to the area, approximately 50 nautical miles southwest of St. Martin's Island. By these actions, Burma breached a commitment that neither country would begin resource exploration until the border dispute was settled. Since India's discovery of gas and oil in 2005-2006, the Bay of Bengal has become a coveted area for natural resource exploration. Bangladesh's talks with Burma over maritime boundaries are slated to take place November 16 and 17. Dhaka will also have discussions with India on this issue in late November. The current dispute may affect the timing of the talks.

DELEGATION FOCUSED ON TRADE AND TRANSPORTATION

3. (U) During an early October visit, a 55-member Burmese delegation, including seven key ministers and business leaders, discussed economic and trade issues with Bangladeshi counterparts. The only agreement signed during the visit deals with double taxation, a significant trade barrier between the neighboring countries. More important, however,

was Bangladesh's pledge to increase bilateral trade with Burma from \$140 million to \$500 million.

¶4. (U) In other trade discussions, the Burmese delegation agreed to export 100,000-200,000 tons of rice to Bangladesh annually. In contrast, the delegation put on hold Bangladesh's request to import natural gas from Burma to make fertilizer. (Note: Burma already exports gas to India and China at far higher profit margins than the Bangladeshis were willing to pay. End Note)

¶5. (U) The Chittagong Chamber of Commerce and Industry also signed an agreement with Burma's Federation of Commerce and Industry to expand communications, trade and commerce between the two countries' private sectors. A delegation of Bangladeshi officials and business leaders plan to visit Burma soon to discuss other economic issues, including contract farming.

¶6. (U) The two nations also revisited a road link between Bangladesh and Burma. In July 2007, Bangladesh and Burma signed an agreement to build a road between the two countries, with Bangladesh agreeing to pay the \$20.3 million cost of the 23 kilometer road. Bangladesh is eager to complete this road, which will link Bangladesh to China.

LONG-STANDING ISSUES IGNORED

¶7. (C) The two sides did not address long-standing issues of maritime border demarcations and Rohingya refugee

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repatriation during the early October visit, two key concerns. When Bangladesh raised the Rohingya refugee issue, the Burmese delegation responded by promising to "look into the matter." Similarly, the two sides barely touched on maritime boundary issues. The Ministry of Foreign Affairs Southeast Asia desk confided to us that diplomats from the two countries had recently conducted a meeting on the issue and scheduled separate future talks. Resolution of the maritime boundary issue has become more pressing as Bangladesh finalizes allocation of exploration blocks in its third hydrocarbons bidding round. U.S. company Conoco-Phillips is a leading participant in the bidding round.

COMMENT

¶8. (S/NF) Reports in other channels indicate that the Burmese leadership was disappointed with the lack of concrete results from the high-level visit. The current dispute highlights the need for Bangladesh and Burma to quickly finalize maritime negotiations. If the two sides do not resolve the conflict soon, the relationship between the two countries may sour. Bangladesh remains eager to develop a stronger relationship with its neighbor as part of its "look east" policy. This may encourage a resolution. With only two months remaining before it hands power to an elected successor, however, the Caretaker Government may lack the political will to act decisively. Ultimately, Bangladesh may need to seek international arbitration to resolve this dispute.
Moriarty